

**Colonial Gas Company**  
**Return on Average Common Equity**

(000 omitted)

	2004	2004	2005	2005
	As Filed	Without Exogenous Cost	As Filed	Without Exogenous Cost
<b>Net Income Calculation:</b>				
Utility Operating Income DTE page 10, Line 18	31,286	31,286	25,537	25,537
Less Exogenous Costs		(966)		(966)
Net of Tax Effect		290		290
Less Exogenous Costs net tax		(676)		(676)
Add: Other Income DTE page 10, Line 25	-	-	-	-
Add: Other Income Deductions DTE page 10, Line 30	(70)	(70)	-	-
Add: Amortization of Acquisition Premium	-	-	-	-
Add: service quality penalties	-	-	-	-
Add: Incremental Accounting			4,412	4,412
Less: Allocated Interest(See Below)	(11,917)	(11,917)	(9,295)	(9,295)
<b>Net Utility Income Available for Common Shareholders</b>	<b>19,299</b>	<b>18,623</b>	<b>20,654</b>	<b>19,978</b>
<b>Calculation of Allocated Interest:</b>				
DTE page 10, Lines 39 and 48	11,917	11,917	9,295	9,295
DTE page 8, Line 2	875,911	875,911	895,630	895,630
DTE page 8, Line 8	-	-	-	-
Total	875,911	875,911	895,630	895,630
% of Line 2 to Total	1.0000	1.0000	1.0000	1.0000
DTE page 8, line 4 (Capital Leases)	-	-	-	-
Total	875,911	875,911	895,630	895,630
% of Line 2 to Total + Capital Leases	1.0000	1.0000	1.0000	1.0000
Allocated Interest(Line 27 above times Line 38)	11,917	11,917	9,295	9,295
<b>Total Utility Common Equity:</b>				
Proprietary Capital - DTE page 9,Line 13	446,520	446,520	463,925	463,925
Less effect of exogeneous costs		(676)		(676)
Adjusted Proprietary Capital		445,844		463,249
Less preferred: DTE Page 9, Line 4	-	-	-	-
Less: Unamortized Acquisition Premium	(377,292)	(377,292)	(377,292)	(377,292)
Add back: Push down Debt(NOTE A)	188,646	188,646	188,646	188,646
Total Equity	257,874	257,198	275,279	274,603
% Above	1.0000	1.0000	1.0000	1.0000
Ending Utility Common Equity	257,874	257,198	275,279	274,603
Beginning Utility Common Equity	238,696	238,696	257,874	257,874
Total	496,570	495,894	533,153	532,477
<b>Average Common Equity</b>	<b>248,285</b>	<b>247,947</b>	<b>266,577</b>	<b>266,238</b>
<b>NET UTILITY INCOME DIVIDED BY AVERAGE EQUITY</b>	<b>7.77%</b>	<b>7.51%</b>	<b>7.75%</b>	<b>7.50%</b>

Note A: The Department ruling dated April 3, 2003 did not consider adding back the unamortized acquisition premium supported by the push-down debt. Without this add back, equity would be negative. Therefore we have deducted only the equity

NOTE B: The Company has interpreted footnote 6 in the Department's letter of April 3, 2003 to mean that the equity will be multiplied times the ratio of the utility plant to the total of utility plant and other property. The Company believes that the Department intended gas companies to exclude amounts not supported by